

TOWNSHIP OF CUSTER
ANTRIM COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Custer Township	County Antrim
Audit Date 3-31-04	Opinion Date 6-17-04	Date Accountant Report Submitted to State: 7-26-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan, by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Keskine, Cook, Miller, Smith & Alexander LLP			
Street Address 100 West First Street	City Gaylord	State MI	ZIP 49735
Accountant Signature 			

TOWNSHIP OFFICIALS

SUPERVISOR

ROBERT RICKSGERS

CLERK

STACY SIMON

TREASURER

RENEE ELDER

TRUSTEES

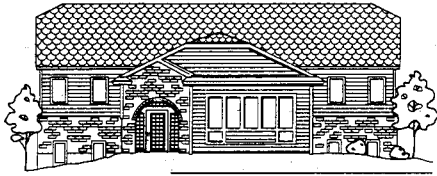
ROXANN FLAKE

JERRY ALLEN

TOWNSHIP OF CUSTER

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Keskin, Cook, Miller, Smith & Alexander LLP
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

June 17, 2004

To the Township Board
Township of Custer

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Custer, Antrim County, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Township's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Custer, Antrim County, Michigan as of March 31, 2004, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of March 31, 2004.

The management's discussion and analysis on pages III - VI and budgetary comparison information on pages 19 - 23, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Keskine, Cook, Miller, Smith & Alexander, LLP

Keskine, Cook, Miller, Smith & Alexander, LLP

TOWNSHIP OF CUSTER

TOWNSHIP OF CUSTER MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2004

This section of the Township of Custer's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended March 31, 2004. Please read it in conjunction with the financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Township assets at March 31, 2004, as reported in the Statement of Net Assets, totaled approximately \$1,057,000 for governmental activities. Of the total Township assets, approximately \$76,000 represents capital assets net of depreciation.

Overall revenues were approximately \$628,000 (\$11,000 from program revenues and \$617,000 from general revenues). Overall expenses approximated \$542,000.

The Township did not incur any new debt instruments during the year. Long-term debt and capital asset activity is addressed further in a subsequent section of this letter.

The registered voter count is now 792.

The taxable value of the Township for the 2003 tax year was \$79,701,057, up from \$75,699,441 in 2002.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion & analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present the governmental activities of the Township. The Township does not engage in any business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole using accounting methods used by private companies. The Statement of Net Assets includes all of the entity's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities; this is one method to measure the Township's financial health or position.

Over time, increases or decreases in an entity's net assets is an indicator of whether financial position is improving or deteriorating.

To assess overall health of an entity, you may also have to consider additional factors such as tax base changes, facility conditions, and personnel changes.

All of the activities of the Township are reported as governmental activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Net Assets: The Township's combined net assets increased approximately \$86,000 during the year ended March 31, 2004 totaling \$816,043.

The increase is mainly due to conservative fiscal monitoring by the board over virtually all expenditures.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE (CONTINUED)

Governmental Funds: The fund balances for governmental funds increased approximately \$21,000. This increase is much lower than the "net assets" increase because the debt service principal payments (\$60,000) are recorded as an expenditure in the general fund statement, while the interest portion only is deducted in the statement of activities.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

General Fund: This fund is used to record all activities of the Township not required to be recorded in a separate fund. This would primarily include township administration, assessing, ambulance services, trash pickup, road repair/construction, and the costs to operate the township hall. The major sources of revenue for the general fund is from the Township tax base and the revenue sharing from the State of Michigan. The major expenses for this fiscal year included salaries, paving of Leonard Road, a "one-time" independent assessment of all properties, along with trash and ambulance services.

Fire Fund: The Fire Fund is used to account for all activities related to fire protection services. Revenues are derived primarily from property taxes and totaled \$143,087. Fire expenditures totaled \$145,133. All fire services are under contract with the Mancelona, Bellaire, and South Torch Lake Fire Departments.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: Additions to the Township's capital assets include improvements to the Township hall in the amount of \$7,726.

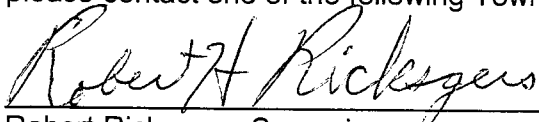
Long-Term Debt: The Township collects two special assessments to service the debt incurred to improve roads and paths in the "Schuss Mountain" area. The debt was reduced from \$195,000 to \$135,000 over the past year.

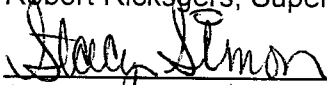
KNOWN FACTORS AFFECTING FUTURE OPERATIONS

None known.

CONTACTING TOWNSHIP MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact one of the following Township officials.


Robert Ricksgers, Supervisor


Stacy Simon, Clerk


Renee Elder, Treasurer

**TOWNSHIP OF CUSTER
STATEMENT OF NET ASSETS
MARCH 31, 2004**

ASSETS

Current Assets:

Cash	\$ 656,047
Cash-Special Assessment	8,140
Certificate of Deposit	209,798
Due from County - Delinquent Taxes	106,422
Due from Other Funds	455

Total Current Assets	980,862
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Capital Assets:

Capital Assets	118,202
Less, Accumulated Depreciation	(42,034)

Total Capital Assets	76,168
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Total Assets	1,057,030
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LIABILITIES

Current Liabilities:

Accounts Payable	\$ 68,026
Due to the Water Authority	33,224
Due to the Ambulance Authority	4,737
Bonds Payable - Current Portion	60,000

Total Current Liabilities	165,987
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Long-Term Liabilities:

Bonds Payable	75,000
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Total Liabilities	240,987
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NET ASSETS

Investment in Capital Assets	76,168
Net Assets, Unrestricted	715,399
Net Assets, Restricted	24,476

Total Net Assets	\$ 816,043
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See accompanying notes to the financial statements

TOWNSHIP OF CUSTER
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004

		<u>P R O G R A M R E V E N U E S</u>			<u>NET (EXPENSE)</u> <u>REVENUE AND CHANGE</u> <u>IN NET ASSETS</u>
		<u>CHARGES FOR</u> <u>SERVICES</u>	<u>OPERATING</u> <u>GRANTS AND</u> <u>CONTRI-</u> <u>BUTIONS</u>	<u>CAPITAL</u> <u>GRANTS AND</u> <u>CONTRI-</u> <u>BUTIONS</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
<u>EXPENSES</u>					
GOVERNMENTAL ACTIVITIES:					
Township Administration	\$	(84,487)	\$	7,860	\$
Fire Protection		(145,133)			(76,627)
Road Repair/Construction		(93,442)			(145,133)
Trash Pickup		(83,674)			(93,442)
Assessing		(69,596)			(83,674)
Ambulance Service		(38,514)			(69,596)
Buildings and Grounds		(9,463)	3,060		(38,514)
Cemetery		(4,186)			(6,403)
Interest Expense		(10,208)			(4,186)
Unallocated Depreciation		(2,873)			(10,208)
					(2,873)
		(541,576)	7,860	-	(530,656)
GENERAL REVENUES		3,060			
Property Taxes					501,694
State Shared Revenues					67,813
Property Tax Admin. Fee					28,242
Interest					17,306
Miscellaneous					1,693
Total General Revenues					616,748
Change In Net Assets					86,092
Net Assets - Beginning of Year					729,951
Net Assets - End of Year					\$ 816,043

See accompanying notes to the financial statements

**TOWNSHIP OF CUSTER
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004**

	<u>MAJOR FUNDS</u>		
	<u>GENERAL</u>	<u>FIRE</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 618,749	\$ 37,298	\$ 656,047
Cash - Special Assessments	8,140	-	8,140
Certificates of Deposit	209,798	-	209,798
Due from County - Delinquent Taxes	87,233	19,189	106,422
Due from Other Funds	455	-	455
Total Assets	<u>924,375</u>	<u>56,487</u>	<u>980,862</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts Payable	26,414	41,612	68,026
Due to the Water Authority	33,224	-	33,224
Due to the Ambulance Authority	4,737	-	4,737
Total Liabilities	<u>64,375</u>	<u>41,612</u>	<u>105,987</u>
Fund Equity:			
Fund Balance - Unrestricted	\$ 835,524	\$ 14,875	\$ 850,399
Fund Balance - Restricted	24,476	-	24,476
Total Fund balance	<u>860,000</u>	<u>14,875</u>	<u>874,875</u>
Total Liabilities and Fund Equity	<u>\$ 924,375</u>	<u>\$ 56,487</u>	<u>\$ 980,862</u>

See accompanying notes to the financial statements

**TOWNSHIP OF CUSTER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2004**

TOTAL FUND BALANCE - GOVERNMENTAL ACTIVITIES PER BALANCE SHEET - PAGE 3	\$ 874,875
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Amounts reported for governmental activities in the Statement of Net Assets (Page 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not used in the funds	76,168
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Long-term liabilities are not due and payable in the current period and therefore not reported in the funds	(135,000)
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES PER STATEMENT OF NET ASSETS - PAGE 1	\$ 816,043
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See accompanying notes to the financial statements

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	<u>MAJOR FUNDS</u>		
	<u>GENERAL</u>	<u>FIRE</u>	<u>TOTAL</u>
REVENUES			
Taxes and Assessments	\$ 358,607	\$ 143,087	\$ 501,694
State Shared Revenue	67,813	-	67,813
Charges for Services	36,102	-	36,102
Interest	17,148	158	17,306
Rent/Other	4,753	-	4,753
Total Revenues	<u>484,423</u>	<u>143,245</u>	<u>627,668</u>
EXPENDITURES			
General Government	352,574	-	352,574
Debt Service	70,208	-	70,208
Public Safety:			
Ambulance Services	38,514	-	38,514
Fire Protection Services	-	145,133	145,133
Total Expenditures	<u>461,296</u>	<u>145,133</u>	<u>606,429</u>
Excess (Deficiency) of Revenues Over Expenditures	23,127	(1,888)	21,239
Fund Balance - Beginning of Year	<u>836,873</u>	<u>16,763</u>	<u>853,636</u>
Fund Balance - End of Year	<u>\$ 860,000</u>	<u>\$ 14,875</u>	<u>\$ 874,875</u>

See accompanying notes to financial statements.

**TOWNSHIP OF CUSTER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2004**

**NET CHANGE IN FUND BALANCE -
GOVERNMENTAL FUNDS - PAGE 5**

\$ 21,239

Amounts reported for governmental activities in the Statement of Activities (page 3) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives.

7,726

Depreciation expense is recorded in the Statement of Activities but not in the governmental fund financial statements.

(2,873)

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as an expenditure. However, in the government-wide financial statements, long-term debt is recorded and debt service payments are applied against the outstanding balances.

60,000

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES
PER THE STATEMENT OF ACTIVITIES - PAGE 2**

\$ 86,092

See accompanying notes to the financial statements

**TOWNSHIP OF CUSTER
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
MARCH 31, 2004**

ASSETS

Cash - Tax Account	\$ 455
	<u> </u>

LIABILITIES

Due to Other Funds	455
	<u> </u>

NET ASSETS

Net Assets	\$ -
	<u> </u>

See accompanying notes to the financial statements

**TOWNSHIP OF CUSTER
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2004**

RECEIPTS:

Property Taxes and Interest	\$ 2,982,276
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DISBURSEMENTS:

Property Tax and Interest Disbursements	2,982,276
	<hr/>

Change in Fiduciary Net Assets	-
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Fiduciary Net Assets - Beginning of Year	-
	<hr/>

Fiduciary Net Assets - End of Year	\$ -
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See accompanying notes to the financial statements

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE A: ENTITY

The Township of Custer is a General Law Township of the State of Michigan located in Antrim County, Michigan. It operates under an elected board and provides service to its residents in many areas including law enforcement, community enrichment, public safety, and human services. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on these guidelines, there are no other entities which should be considered for inclusion in this report.

The various Fire Boards that provide fire protection services to the Township; the Bellaire Fire Department, Mancelona Fire Department and South Torch Lake Fire Department provide coverage to separate areas of the Township. The Township pays standby and/or fire run fees to these Departments. The Township has no oversight responsibilities for these various Fire Departments. All contractual costs associated with these services are included in the financial statements.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Township of Custer are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations including required disclosures of the Township's financial activities.

The accounting policies of the Township of Custer conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2003, the Township of Custer adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Township as a whole, excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. At this time, the Township has no business-type activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity.

Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not included as program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state revenue sharing, and other inter-governmental revenues.

Fire Fund - This fund is used to account for all financial transactions related to the Township's fire protection services. Revenues are derived primarily from property taxes.

Other Funds

Fiduciary Funds - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Fiduciary fund financial statements also report using this same focus and basis of

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Government-Wide Financial Statements (Continued)

accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available.

Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2003, are recorded as revenue in the current year. The Township's taxable value for the 2003 tax year totaled \$79,701,057.

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax rates for the year ended March 31, 2004, were as follows:

PURPOSE	RATE/ASSESSED VALUATION
General	0.9584 mills per \$1,000
Fire	2.0000 mills per \$1,000
Roads	0.9584 mills per \$1,000
Ambulance	0.4938 mills per \$1,000
Trash	1.2000 mills per \$1,000

BUDGET

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional and activity basis. The approved budgets of the Township for these budgetary funds were adopted on an activity level. Budgets as adopted end on March 31 of each year. There are no carryover budget items. During the year ended March 31, 2004, the fire fund incurred over-expenditures of \$11,133.

CAPITAL ASSETS AND DEPRECIATION

The Township's property, plant, and equipment, with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 - 40
Improvements, other than buildings	10 - 20
Machinery and equipment	5 - 10
Vehicles	5 - 10
Infrastructure	20 - 40

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION (CONTINUED)

Land and construction in progress are not depreciated.

With respect to asset improvements, costs over \$1,000 should be capitalized if:

1. The estimated life of the asset is extended by more than 25%, or
2. The cost results in an increase in the capacity of the asset, or
3. The efficiency of the asset is increased by more than 10%, or
4. Significantly changes the character of the asset, or
5. In the case of streets and roads, if the work done impacts the "base" structure.
6. Other wise, the cost should be expensed as repair and maintenance.

For information describing capital assets, see Note E.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND
DISCOUNTS/PREMIUMS**

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as much, include amounts based on informed estimates and judgements of management with consideration given to materiality. Actual results could differ from those estimates.

NOTE C: CASH AND INVESTMENTS

Cash consists of bank accounts or securities with original maturities of 90 days or less.

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE C: CASH AND INVESTMENTS (CONTINUED)

All cash deposits are maintained in financial institutions in Northern Michigan. The Township's deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
General Fund	\$ 650,598	\$ 208,142	\$ -	\$ 442,456	\$ 626,889
Fire Fund	41,298	41,298	-	-	37,298
Total	<u>\$ 691,896</u>	<u>\$ 249,440</u>	<u>\$ -</u>	<u>\$ 442,456</u>	<u>\$ 664,187</u>
Trust & Agency	<u>\$ 28,470</u>	<u>\$ 28,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454</u>

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's investments are as follows:

- (1) Insured or securities held by the Township or the Township's agent in the Township's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Township's name.

	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
General Fund	\$ 123,893	\$ 85,905	\$ -	<u>\$ 209,798</u>

NOTE D: DUE FROM/TO OTHER FUNDS

Due From/To Other Funds represents \$455 collected in the current tax collection fund that had not been distributed at March 31, 2004, to the various funds as follows:

General Fund \$ 455

TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE E: CAPITAL ASSETS

	<u>CAPITAL ASSETS NOT DEPRECIATED</u>	<u>CAPITAL ASSETS DEPRECIATED</u>		
	<u>Land</u>	<u>Buildings & Improv.</u>	<u>Equipment</u>	<u>Totals</u>
Governmental Activities				
<i>Capital Assets</i>				
Balance, April 1, 2003	\$ 4,988	\$ 95,788	\$ 9,700	\$ 110,476
Increases	-	7,726	-	7,726
Decreases	-	-	-	-
Balance, March 31, 2004	<u>4,988</u>	<u>103,514</u>	<u>9,700</u>	<u>118,202</u>
<i>Accumulated Depreciation</i>				
Balance, April 1, 2003	-	30,166	8,995	39,161
Increases	-	2,638	235	2,873
Decreases	-	-	-	-
Balance, March 31, 2004	<u>-</u>	<u>32,804</u>	<u>9,230</u>	<u>42,034</u>
<i>Capital Assets, Net</i>	<u>\$ 4,988</u>	<u>\$ 70,710</u>	<u>\$ 470</u>	<u>\$ 76,168</u>

NOTE F: LONG-TERM DEBT

As of March 31, 2004, the Township had the following long-term debt:

	<u>Balance 4/01/03</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 3/31/04</u>
1996 Special Assessment Bond	\$ 100,000	\$ -	\$ 50,000	\$ 50,000
1999 Special Assessment Bond	<u>\$ 95,000</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 85,000</u>
Total	<u>\$ 195,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 135,000</u>

The Special Assessment Bond proceeds were used to improve roads and paths in the "Schuss Mountain" area. The future years obligations are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1996 Special Assessment Bond			
2005	<u>\$50,000</u>	<u>\$2,700</u>	<u>\$52,700</u>

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE F: LONG-TERM DEBT (CONTINUED)

1999 Special Assessment Bond			
2005	\$ 10,000	\$ 4,038	\$ 14,038
2006	5,000	3,608	8,608
2007	10,000	3,388	13,388
2008	10,000	2,938	12,938
2009-2014	<u>50,000</u>	<u>8,568</u>	<u>58,568</u>
Total	<u>\$ 85,000</u>	<u>\$ 22,540</u>	<u>\$107,540</u>

NOTE G: RESTRICTED FUND BALANCE/NET ASSETS

The Township has two special assessments for the improvement of roads/paths in the Schuss Mountain area. This revenue source is to be used for a "restricted" purpose, so if earned revenues are unexpended they are properly recorded as a "restricted fund balance". The restricted fund balance at March 31, 2004, was \$24,476.

NOTE H: PENSION PLAN

The Township of Custer adopted a defined contribution pension plan covering the Township board members on November 1, 1979. The plan was amended November 1, 1997.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

The Township Board members may enter the plan immediately and are eligible provided they are between the ages of 18 and 75. Contributions made by both the Township and participants vest immediately. The participant will receive benefits at age 65 or if later upon completion of 10 years of participation in the plan. The plan allows early retirement at age 55.

**TOWNSHIP OF CUSTER
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004**

NOTE H: PENSION PLAN (CONTINUED)

Contributions are made to the plan by the Township upon a schedule amount annually. The participants may contribute up to an additional 5% of compensation.

The plan is maintained with Manufacturers Life Insurance Company. The total pension expense for the year was \$10,200 which meets the contribution requirements of the Township based upon compensation of \$50,600. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or participants.

NOTE I: CONTINGENCIES

INSURANCE

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters.

The Township participates in the Michigan Township Participating plan, a self insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims for each occurrence with the overall maximum coverage varying depending on the specific type of coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage.

MANCELONA AREA WATER AND SEWER AUTHORITY

As a participating member of the Mancelona Area Water and Sewer Authority, the Township is named as a party to the "bond financing" used to purchase the Schuss Mountain water supply system. The original amount of the bonds was \$2,770,000. The bonds are currently being paid back through a special assessment to property owners, as well as the general revenues of the Water Authority. If the Authority ever defaulted on bond payments, the Township may be held responsible to the bond holders.

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
REVENUES				
Property Taxes	\$ 191,500	\$ 191,500	\$ 189,494	\$ (2,006)
Special Assessment - Trash	90,000	90,000	93,614	3,614
Special Assessment - Path	60,000	60,000	60,923	923
Special Assessment - SVEPOA	14,000	14,000	14,576	576
State Grants:				
State Shared Revenue	70,000	70,000	67,616	(2,384)
Swamp Tax	-	-	197	197
Charges for Services:				
Property Tax Administration Fee	25,000	25,000	28,242	3,242
Summer Tax Reimb.	-	-	7,860	7,860
Interest	10,000	10,000	17,148	7,148
Hall Rental	2,000	2,000	3,060	1,060
Miscellaneous	-	-	1,693	1,693
Total Revenues	462,500	462,500	484,423	21,923
EXPENDITURES				
GENERAL GOVERNMENT				
Township Board:				
Salaries - Trustees	4,000	4,000	3,150	850
Payroll - Other	2,000	2,000	856	1,144
Payroll Taxes	800	800	1,090	(290)
Pension Plan	10,200	10,200	10,200	-
Community Promotion	10,000	10,000	10,403	(403)
Insurance and Bonds	5,000	5,000	4,331	669
Professional Fees	5,500	5,500	3,026	2,474
Association Fees	1,200	1,200	1,288	(88)
Printing and Publishing	1,500	1,500	901	599
Street Lights	1,400	1,400	881	519
Miscellaneous	1,400	1,400	304	1,096
Capital Outlay	7,000	7,000	-	7,000
Contingency	25,000	25,000	-	25,000
Total Township Board	75,000	75,000	36,430	38,570
Supervisor:				
Salary	7,200	7,200	7,200	-
Salary - Deputy	300	300	662	(362)
Communications	50	50	50	-
District Meeting	60	60	30	30
Miscellaneous	290	290	-	290
Total Supervisor	\$ 7,900	\$ 7,900	\$ 7,942	\$ (42)

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
Election:				
Wages	\$ 1,000	\$ 1,000	\$ -	\$ 1,000
Election School	500	500	-	500
Supplies	100	100	30	70
Transportation	100	100	-	100
Printing	100	100	-	100
Total Election	<u>1,800</u>	<u>1,800</u>	<u>30</u>	<u>1,770</u>
Assessor:				
Salary	13,740	13,740	13,740	-
Professional Fees	26,050	26,050	52,414	(26,364)
Education and Training	100	100	1,205	(1,105)
Office Supplies & Postage	1,100	1,100	799	301
Communications	50	50	50	-
Transportation	100	100	78	22
Capital Outlay	5,000	5,000	1,310	3,690
Total Assessor	<u>46,140</u>	<u>46,140</u>	<u>69,596</u>	<u>(23,456)</u>
Clerk:				
Salary - Clerk	10,020	10,020	10,020	-
Salary - Deputy	300	300	662	(362)
Education and Training	700	700	509	191
Office Supplies & Postage	900	900	215	685
Transportation	400	400	56	344
Communications	50	50	50	-
Capital Outlay	2,000	2,000	756	1,244
Total Clerk	<u>14,370</u>	<u>14,370</u>	<u>12,268</u>	<u>2,102</u>
Board of Review:				
Salary - Board of Review	1,200	1,200	1,395	(195)
Education and Training	200	200	220	(20)
Transportation	100	100	32	68
Office Supplies	125	125	-	125
Total Board of Review	<u>\$ 1,625</u>	<u>\$ 1,625</u>	<u>\$ 1,647</u>	<u>\$ (22)</u>

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
Treasurer:				
Salary - Treasurer	\$ 16,020	\$ 16,020	\$ 16,086	\$ (66)
Salary - Deputy	300	300	1,488	(1,188)
Office Supplies	2,000	2,000	426	1,574
Postage	2,500	2,500	2,615	(115)
Data Processing	6,500	6,500	5,125	1,375
Communications	50	50	50	-
Transportation	200	200	72	128
Publication	100	100	-	100
Education and Training	500	500	75	425
Capital Outlay	2,000	2,000	233	1,767
Total Treasurer	<u>30,170</u>	<u>30,170</u>	<u>26,170</u>	<u>4,000</u>
Buildings and Grounds:				
Utilities	2,600	2,600	3,302	(702)
Repair and Maintenance	2,000	2,000	2,662	(662)
Telephone	1,200	1,200	1,228	(28)
Hall Rental Refunds	1,000	1,000	1,005	(5)
Supplies	600	600	772	(172)
Capital Outlay	40,000	40,000	7,726	32,274
Land Improvements	2,000	2,000	-	2,000
Total Buildings and Grounds	<u>49,400</u>	<u>49,400</u>	<u>16,695</u>	<u>32,705</u>
Cemetery:				
Repair and Maintenance/Labor	3,500	3,500	3,933	(433)
Supplies	600	600	136	464
Gas, Oil and Repair	1,000	1,000	117	883
Grave Openings	1,000	1,000	-	1,000
Capital Outlay	2,000	2,000	-	2,000
Land Improvement	10,000	10,000	-	10,000
Total Cemetery	<u>\$ 18,100</u>	<u>\$ 18,100</u>	<u>\$ 4,186</u>	<u>\$ 13,914</u>

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED MARCH 31, 2004

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET
Parks	\$ 2,200	\$ 2,200	\$ 494	\$ 1,706
Trash Pickup	90,000	90,000	83,674	6,326
Roads	148,295	148,295	93,442	54,853
Special Assessments:				
Debt Service - Path	60,000	60,000	55,750	4,250
Debt Service - SVEPOA	14,000	14,000	14,458	(458)
Total Special Assessments	74,000	74,000	70,208	3,792
Total General Government	559,000	559,000	422,782	136,218
PUBLIC SAFETY				
Ambulance Services	38,500	38,500	38,514	(14)
TOTAL EXPENDITURES	597,500	597,500	461,296	136,204
Excess (Deficiency) of Revenues Over Expenditures	(135,000)	(135,000)	23,127	158,127
Fund Balance - Beginning of Year	836,873	836,873	836,873	-
Fund Balance - End of Year	\$ 701,873	\$ 701,873	\$ 860,000	\$ 158,127

TOWNSHIP OF CUSTER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FIRE FUND
YEAR ENDED MARCH 31, 2004

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Special Assessment	\$ 134,000	\$ 134,000	\$ 143,087	\$ 9,087
Interest Income	-	-	158	158
Total Revenues	<u>134,000</u>	<u>134,000</u>	<u>143,245</u>	<u>9,245</u>
EXPENDITURES				
Fire Protection Services	<u>134,000</u>	<u>134,000</u>	<u>145,133</u>	<u>(11,133)</u>
Total Expenditures	<u>134,000</u>	<u>134,000</u>	<u>145,133</u>	<u>(11,133)</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	(1,888)	(1,888)
Fund Balance - Beginning of Year	<u>16,763</u>	<u>16,763</u>	<u>16,763</u>	-
Fund Balance - End of Year	<u>\$ 16,763</u>	<u>\$ 16,763</u>	<u>\$ 14,875</u>	<u>\$ (1,888)</u>